

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:

Brasilia

Cotton and Products Update

Exports to Drop Despite a Recovery on Cotton Production

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Report Highlights:

Post forecasts Brazil's 2016/17 cotton area at 910,000 hectares (ha), a five percent drop compared to the previous year. The reduction is due to a lower than expected planted area in Mato Grosso state, the largest cotton producing state in Brazil. Exports are forecast to reach 3 million bales and domestic consumption is forecast at 3.0 million bales.

Production, Supply, and Demand Statistics:

Cotton	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1020	1020	955	955	930	910
Beginning Stocks	7668	7668	7532	7657	6159	6323
Production	7000	7000	5900	5900	6500	6500
Imports	24	24	91	100	100	30
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	14692	14692	13523	13657	12759	12853
Exports	3910	3985	4314	4384	2900	3000
Use	3400	3200	3200	3100	3200	3000
Loss	-150	-150	-150	-150	-150	-150
Total Dom. Cons.	3250	3050	3050	2950	3050	2850
Ending Stocks*	7532	7657	6159	6323	6809	7003
Total Distribution	14692	14692	13523	13657	12759	12853

(1000 HA) ,1000 480 lb. Bales

USDA 2016/17 MY = August 2016 to July 2017

*Read the clarification about beginning/ending stocks estimates in narrative

PRODUCTION:

Post Reduces Planted Area and Production Forecasts for 2016/17

Post forecasts 2016/17 area planted to cotton at 910,000 hectares (ha), an area reduction of five percent compared to 2015/16. The reduction is due to a lower than expected planted area in Mato Grosso state, the largest cotton producing state in Brazil. The lower area in Mato Grosso is due to first-crop cotton areas shifted to soybeans as well as concerns by producers about cotton prices in the international market. The high cost of production and difficulty accessing credit lines domestically is also affecting producers. Mato Grosso is expected to plant 86 percent of its area as a second crop, starting in January.

In the state of Bahia, the second largest cotton producing state, the area reduction is still expected to be about 17 percent compared to last year. Post forecast planted area for the state of Bahia at 200,000 ha. The reduction in this area is driven by concerns of low international prices and the high cost of production. In addition, the adverse weather conditions in the last few years have put cotton farmers in the region in a difficult financial situation.

Total production in Brazil is forecast at 6.5 million bales (1.40 million metric tons), an increase of 10 percent higher compared to the 2015/16 season. The increase is a result of improved yields due to expected favorable weather.

Table 1. Production Statistics by State

State	Area (HA)	Yield (MT/HA)	Production (MT)
Mato Grosso	600,000	1.550	930,000
Bahia	200,000	1.550	310,000
Mato Grosso Do Sul	29,500	1.650	48,675
Goiás	30,000	1.550	46,500
Other	50,500	1.450	73,225
Brazil	910,000	1.548	1,408,400

Table 2: Cotton Domestic Prices in cents of R\$ per lbs (2012-2016)

	2012	2013	2014	2015	2016	2015/2016 % Change
January	R\$170.76	R\$175.01	R\$220.82	R\$166.67	R\$243.30	31%
February	R\$170.23	R\$184.47	R\$225.60	R\$167.71	R\$256.17	35%
March	R\$161.17	R\$204.98	R\$218.89	R\$189.29	R\$243.50	22%
April	R\$160.44	R\$209.49	R\$207.20	R\$214.80	R\$253.29	15%
May	R\$160.07	R\$197.08	R\$193.55	R\$207.48	R\$267.33	22%
June	R\$151.16	R\$193.74	R\$189.63	R\$206.98	R\$266.77	22%
July	R\$157.56	R\$211.80	R\$180.53	R\$209.63	R\$258.02	19%
August	R\$162.06	R\$216.38	R\$167.08	R\$218.46	R\$255.45	15%
September	R\$165.19	R\$212.80	R\$167.28	R\$230.37	R\$248.15	7%
October	R\$155.21	R\$214.04	R\$164.30	R\$233.27	R\$250.19	7%
November	R\$155.49	R\$208.73	R\$163.93	R\$239.63	R\$255.62	7%
December	R\$158.44	R\$212.46	R\$164.34	R\$243.15	R\$271.88	12%

Source: Center for Advanced Studies in Applied Economics (CEPEA)

TRADE:

Brazilian Cotton Exports to Drop in MY 2016/17

Post forecasts cotton exports for MY 2016/17 at 3 million bales, a 30 percent reduction compared to the previous year. Despite the relative weak domestic consumption and the higher available cotton supplies in Brazil forecasted for the MY 2016/17, lower foreign demand and ample global cotton stocks will impact Brazilian exports.

CONSUMPTION:

Cotton Producers Association Helping Increase Domestic Consumption

Due to the ongoing Brazilian economic crisis since 2015, the textile sector was hit hard and consumption has dropped dramatically due to the high unemployment and lower disposable income by the population. According to the Brazilian Association of Cotton Producers (Abrapa), in 2015 alone, over 4,000 cotton processing plants were closed and the trend continued in 2016. As a result, Abrapa implemented various initiatives to help increase and promote Brazilian cotton.

Abrapa launched a national marketing campaign to encourage the use of cotton products. The initiative called “I’m made of cotton” was launched in 2016 and has the support of Bayer and the Brazilian Cotton Institute (IBA).

In addition, Abrapa inaugurated on December 6, the Brazilian Reference Center on Cotton Analysis (CBRA). The center, located in Brasilia, is now the central laboratory for the verification and standardization of Brazilian cotton grading processes. The center’s objectives is to guarantee the quality and credibility of the results obtained in the various laboratories in the country. The structure is part of the HVI-SBHVI Standard Brazil program, launched last October during the annual International Cotton Association (ICA) meeting in Liverpool, England. The center will also integrate the entire network of fiber analysis laboratories in Brazil, currently made up of 14 units totaling 63 HVI machines. This will help improve the reputation of Brazil’s cotton and increase the consistency of the Brazilian cotton quality.

For MY2016/17, post kept its forecast for consumption at 3 million bales (664,000 MT) due to the economic crisis.

STOCKS:

Clarification About Beginning/Ending Stocks Estimates

The USDA official estimates as well as this report are based on an August-July Marketing Year (MY). For example, MY 2016/17 correlates with Northern Hemisphere countries and not Southern Hemisphere countries such as Brazil. Hence, USDA’s beginning/ending stocks estimates capture Brazilian stocks mid-harvest on July 31st when they are at nearly their peak. This timing issue accounts for the relatively high stock levels and low volatility in stocks-to use typically reported by USDA and this report for Brazil.

As the main harvest in Brazil takes place in June, July, and August, stocks build dramatically as harvest progress outpaces domestic consumption and exports. Part of the reason for the inevitable buildup of USDA reported stocks is the structural delay between harvest and the shipment of exports. Ginning, consolidating, and transport to ports delays exports of new crop cotton initially and exports do not start in earnest until August.